

The Information Explosion: Implications for Physical Product Distribution

- Continued -

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Food Industry Information:

Explosion or Collapse?

by

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It is a pleasure to be able to address this assembly, especially since the organization with which I am affiliated, the American Institute of Food Distribution (commonly known as the Food Institute), and your organization have so much in common. We both strive to serve, in our own ways, the informational needs of the food industry at large.

For those of you who may not be familiar with the Food Institute, we are a non-profit information association supported solely by dues from over 2,700 member organizations. The Food Institute was founded in 1928; we take pride in our heritage of serving the food industry for almost 60 years. It's difficult to realize, in this age of mass information (and mass misinformation) what a truly radical concept our organization was back in the 1920s, when even a long-distance telephone call was a rarity. Our founder was a gentleman named Gordon Corbaley--referred to in his day as the "Dean of the Food Industry." In the early 1920s, Mr. Corbaley was doing

something extremely sophisticated for a food broker of that era.

Headquartered in the Pacific Northwest, he was arranging sales for a number of principals, mainly canners, along with barrelers of frozen fruits, back before frozen products were available at retail. He decided to issue a posting for his principals and customers, at irregular intervals, to keep them better informed about marketplace developments. He called his newsletter "The News From Oregon and Washington."

As you know, back in the Coolidge era, they didn't have the fantastic communication systems we have today. A great deal of business was being done by poorly informed--at times actually misinformed--buyers and sellers. Rumor was rampant.

A number of Mr. Corbaley's principals were so impressed with his postings that they decided the industry would be better off with

one less broker but with some sort of central information organization working strictly on accumulating and disseminating the facts of the business. They approached the major can manufacturers for initial funding, and in 1928 incorporated the association.

I think the fact that we have survived thus far is a pretty fair indication that the initial idea was sound. Over the years, our reportage has evolved, changing to reflect the developments in food distribution. But the basic premise of getting the correct information, and getting it fast enough so that people will have time to act on it, has never changed.

Gordon Corbaley retired as the first president of the Food Institute after 34 years at the helm. Since 1962, Roy Harrison has been in charge, and earlier this year, we cited Roy for his 30 years with the Institute at a luncheon in his honor--Roy was with the association for seven years before becoming president. By coincidence, Roy Harrison also came from the broker community. Having had only two leaders in 57 years is a pretty good record for any organization today, but what this really means is that the same devotion to accurate, pertinent and timely information started in 1928 continues to this day, because Mr. Harrison, like Mr. Corbaley before him, will accept nothing less. Anything less would not be in the best interests of the heritage we have built on.

As part of membership, members receive The Food Institute Report 51 weeks of the year. This is a 24-page report which we like to think of as a continuing, ongoing explanation of what is going on in the food industry. Each week, our staff reports on a wide range of commodity activity--canned, frozen, dried and fresh foods, meats, fruits, vegetables and so on--covering everything from plantings, to packs, stocks, shipments, through to consumption. A key here is accurate price reporting, based on many dozens of contacts made by our market analysts with buyers and sellers alike. Our price data are considered so reliable that the U.S. Department of Agriculture uses them in a number of its own publications.

Speaking of prices, I want to stress here that all efforts are made to be accurate, and

to fairly represent actual market activity. Some years back, Roy Harrison got a unique perspective on this in San Francisco at an industry convention, and his story illustrates an important point: Standing in the lobby of the Fairmont Hotel, a buyer for a major chain came up to Roy complaining: "You know, your prices are too high; I can buy cheaper than that." Just then, a Midwestern canner came over and moaned that our reported prices were too low. Seizing the opportunity, Roy quickly introduced the two gentlemen: "Why don't you talk to each other?" he said.

But aside from the important market reportage, The Food Institute Report contains a wide variety of industry data, from analysis of Census Bureau, Bureau of Labor Statistics and Bureau of Economic Analysis information, to digests of articles from scores of trade and general business publications, information on availability of new industry reports, financial reports on hundreds of public corporations throughout the year to food industry mergers and acquisitions.

We also keep watch on governmental activity, and have a staff member based in Washington. Each week--daily, in fact--our staff scours the Federal Register and the Congressional Record to select developments of importance which might affect food industry companies here and overseas. Pronouncements and rulings from the Federal Trade Commission, the Food & Drug Administration, the International Trade Commission, the Department of Agriculture, the Environmental Protection Agency and many others are dissected each week. Commentary from the entire spectrum of trade associations to consumer groups are included to amplify and explain the positions taken on government actions. Information about lawsuits, court cases and rulings pertinent to the food industry are included.

When I said The Food Institute Report was an ongoing, history-in-the-making type of report, I really wasn't exaggerating. Each week is like another chapter in a fascinating, continuing real-life story. Over the 57 years of its existence, the Food Institute has built up a substantial library of industry informa-

tion. I've had the pleasure many an afternoon of sitting in front of the microfilm reader studying articles and reports from back in the Depression era, on through the War and thereafter. It's amazing today to contrast the onslaught of the Cub-type superstore with the near panic caused by the growth of the chain store fifty years ago, or with the controversy of self-service stores versus clerk-service. New formats are nothing new, it seems.

But a library is not a static thing. Without getting too poetic about it, I tend to think of our library like a garden, in need of constant tending, and harvesting. We have made it a point to make better use of our library in recent years, and this has led to the publication of a number of special reports, over and above the weekly report. We have published studies on the grocery industry, the eating-out industry, on food consumption, on canned, frozen and dried food market activity, and on industry mergers and acquisitions. We currently have a major study of the leading U.S. grocery distributors under way, scheduled for publication early next year.

By now it should be clear that at the Food Institute, we view information from a unique perspective. We genuinely cherish good information, and of course we are keenly aware of the glut of data available today. Of course, there are differences between useful information and the spurious, vital data and the inaccurate, material which truly informs and that which is skewed to illuminate not an entire subject, but only a carefully chosen portion. The essence of much of my contact with the food industry revolves around the fact that everyone needs to find out something, but few have the time to really study the available facts.

The age of the computer, and the advent of the desktop computer, enables the business community and academia to process more information, and crunch more numbers than ever dreamt possible, yet we must constantly question whether we are getting the most out of all this. We also have to beware, because never before have we been able to make more than a thousand mistakes a second!

But there is some genuine promise here. At the Food Institute, we are part of the electronic communications media through participation in the FoodCom electronic network, through which we have the capacity to communicate instantaneously with members who are part of the system. At present, we offer a Food Institute "Hotline" of developments on a practically daily basis. We hope to be on line shortly with the USDA's Electronic Dissemination of Information System, which will eventually enable us to provide our members with data from the Statistical Reporting Service, the Economic Research Service, the Agricultural Marketing Service, and other USDA departments electronically, in addition to hard copy in our weekly report. In this instance, just as in the case of the hundreds of publications subscribed to by our association, the cost borne by the Food Institute to pay for electronic availability of data should, in the long run, save money--not to mention time--for our members.

In another manner, we have recently begun using new telefax equipment to provide a member in Italy with a portion of our markets reporting each week. Oddly enough, this may mean that this overseas member is the first one to see a portion of our report each week. The capability to "broadcast" a hard copy of our weekly report, or parts of it, to any number of members worldwide exists, and as this becomes cost-effective, we may be able to offer this service as well.

But all is not rosy in information-land. The Food Institute can only analyze and disseminate available information, and we are always on the lookout for useful data to add to our reports, at times if only to let our members know it's what's available. Some government data sources have dried up, mostly due to lack of funding; this unfortunately runs against the tide of the information explosion.

In March of 1982, the USDA's Statistical Reporting Service eliminated more than two dozen agricultural reports, and reduced the amount of data contained in, or reduced the frequency of issue, of a handful more. Budgetary considerations forced these cutbacks. Fortunately, in January 1983, a number of

these data cutbacks were reinstated. Nonetheless, certain reports on butter and cheese, apples, field crops, honey, maple syrup, lamb, onions, popcorn, sugar, and a range of fresh market vegetables, to name only some commodities, are still among the missing.

It's especially unfortunate that these information reductions come at a time when the American farm system is undergoing a very difficult period. It would seem to me that part of our regaining the traditionally dominant role of American agriculture in the world would involve research like that conducted by many colleges and universities, as well as by independent research organizations and associations. Regretfully, that's been made all the more difficult--even impossible--by the elimination of basic data contained in some of these USDA reports.

I reviewed the situation with William E. Kibler, administrator of the Statistical Reporting Service of the USDA, and I am pleased to report that Mr. Kibler says that, right now, no further cutbacks in SRS data are expected, since it appears that the 1986 budget for this agency will be passed substantially intact. As a matter of fact, reports for two commodities, fresh market asparagus, and cucumbers for pickling were restored recently, but, as Mr. Kibler pointed out, these were restored at Congressional insistence, not by the Office of Management and Budget.

Cutbacks in data have come from other areas as well. In the spring of 1983 we eagerly awaited the results of the 1980-81 round of Consumer Expenditure Surveys, conducted by the Bureau of Labor Statistics. Preliminary data was released in May of 1983, and the supposedly "full" report became available several months later.

For those of you who may not be familiar with this report, the Consumer Expenditure Survey questioned households across the United States on how much was spent weekly on a variety of food items, as well as non-foods (such as drugs, tobacco and cleaning supplies) that might be purchased in food stores. In addition, households were queried on energy expenditures. A potentially useful body of research.

When we received the "full" report, we were shocked to find that it only contained 58 pages of data, compared to 383 in the report from the 1972-74 survey. Only 26 categories of food items were detailed, compared to 88 in the earlier report. Break-downs of household types were reduced from 33 to 22. Moreover, due to budgetary cutbacks, the overall sampling size was reduced, and data for non-urban households was eliminated entirely!

Now here the U.S. economy had, in the decade of the 1970s, undergone the greatest economic turmoil since the Great Depression, the very structure of the American household was changing from family-dominated to singles and couples-dominated; price, diet and taste changes were altering purchasing patterns, and what did we get? Less data! The amount of research into changing consumer expenditure patterns available for derivation from these statistics was severely reduced.

Fortunately, several USDA researchers have helped here, and recently done a notable job, having poured through the original tapes, enabling them to publish additional data from the BLS survey. However, it still does not restore all the "lost" data, and, coming two years after the release of the original report, much of the timeliness is lost. As soon as I tell my members that we've got some "new" 1980-81 data available, the first thing they want to know is "Can you get anything more recent?"

There are other areas of industry data which are suffering, as well. The 1987-88 Nationwide Food Consumption Survey, from USDA's Human Nutrition and Information Service is being cut back from 15,000 households to only 6,000, making for rather thin data in some areas. Again, this is because of a reduced budget.

But not everything is budget-related; other forces work at odds with those of us in food distribution research as well. Over at the Census Bureau, the reports from the 1982 Economic Census are still only trickling out. The original schedule called for the virtual completion of the issuance of most

reports by the end of 1984 and early 1985. Here, the year is almost over, and we're still waiting for some important reports. And again, unfortunately, data considered four years old by the time it's released just does not meet the needs of many who require more timely information. Also, due to mishandling of some data by the Internal Revenue Service for the Census Bureau, some items of information were lost entirely.

Before I leave the governmental data area to move on to other areas, I would just like to stress the fact that our contact with people at USDA, or Census, BLS, or BEA or other departments is generally excellent, and I want to be the last to pick on any of them issuing these criticisms about the reduced nature of data coming from these agencies. But, they can't help us with data not collected due to budget cuts, nor can they release data not yet published because of printing logjams. The fault lies elsewhere.

Private industry, too, is providing less data in some cases, as well: the numbers on the canned pineapple pack are no longer available, for example, because the pack is no longer basically Hawaiian, but extends to the Far East. Just a few weeks ago, it was announced that data on canned Freestone Peach Stocks would not be available through the National Food Processors Association, apparently due to a reduced number of packers. It's easy to say that one item or another is of little importance in the scheme of things, but when you chip away at a body of data in this manner, the overall result suffers.

There has been a reduction in industry data, too, as a result of companies turning from public to private ownership. Two major food wholesalers have "gone private" in the past year alone, along with other firms in food retailing and manufacturing. There's nothing we can do about it, but the fact is through such moves, the amount of available data is being diminished.

Well, it appears we've got our work cut out for us, doesn't it? Part of the solution perhaps starts right here today. Maybe the Food Distribution Research Society and the Food Institute haven't been communicating

the way we should, but we can correct that right now, and I know my boss, Roy Harrison, as a charter member of the F.D.R.S., would like to see just that. One thing we at the Food Institute can do is help you to get out the word about the research many of you are working on. We like to think of the 2,700-odd member firms of the Food Institute as containing the most careful readers in the food industry. Many times each year, we review new industry reports in our weekly publication, or at least post a notice about new data available. The response to these from our membership has been very good.

You know, last year, we directly brought dozens of new industry reports to our members' attention, ranging from publications available through other trade associations, to private organizations, to the trade press. There's no reason we can't do the same for some of the studies and reports emanating from this group. Since we do get literally hundreds of requests and inquiries from our members throughout the year, and since our library is open for member research, the Food Institute is willing to assist you in getting interested parties access to some of the data you are producing, as long as you supply us with what you have.

The fact is, there is no sense in complaining about the "information collapse" we are seeing in some areas unless we are willing to do something about it. With 20-20 hindsight, I have to admit that perhaps some of the reduction in government data might have been avoided if together, we had campaigned in a concerted, vociferous manner. And, as I said earlier, it's about time we opened up the channels of communication between the F.D.R.S. and the Food Institute. By that I mean let us help you to publicize some of the research going on so we can spread the word about what you're learning. On our part, if the Food Institute can be of any assistance, take advantage of my offer to use our library facilities; come in and see us whenever you are in the area, we'd love to help you if we can. But all I can do is offer a helping hand, it's up to those of you who are interested to follow up on the offer. I'll

be here right through tomorrow, and I'll be glad to meet with any of you to discuss ideas.

I don't think it's going too far to say that those of us involved in food distribution research have an obligation to the food business to provide this, the nation's largest industry, with the very best we have to offer in the way of information. The industry today faces challenges posed by everything from slow population growth, tremendous changes in the nature of consumer demands, a vast new world of technology affecting all areas of the business from the farm to the store, as well as new--and hopefully improved--methods of communication. Harnessing some of that change into improved methods of bringing a greater variety of foods at reasonable costs to all Americans, and to the world, and creating meaningful employment opportunities within the industry for future generations, is the very essence of what we should be striving for.

If food distribution researchers face an information collapse, we have to put our heads together to offset the dilution of industry information. If we indeed face an information explosion, it likewise is up to us to utilize the available data, disseminate it, learn from it, and teach others, so that we may all prosper from what we have learned. But it's up to you and me, to the Food Distribution Research Society, the Food Institute, and to the nation's colleges and universities, with the support of private industry to insure success in this goal.

My message to you is that the Food Institute is ready and willing to help you in any way it can.